

Payroll Outsourcing: What How and Why?

What?

What is Payroll Outsourcing?

Payroll is generally processed in-house either manually or with the help of payroll software. Payroll outsourcing is getting this task done thru an external service provider. Tax print is the service provider that can take care of your payroll processing needs.

What is the scope of work under Payroll Outsourcing?

- Every payroll outsourcing assignment involves month-to-month calculation of salary, TDS working, computation of legal dues for PF, ESIC, Professional tax etc. At the end of payroll processing each employee needs to be given payslip and accounts department need to be given salary register, legal payment sheet and several MIS reports. Periodical legal reports are also taken care by the payroll processor e.g. Half Yearly ESIC forms, Quarterly eTDS Statements, Yearly PF forms etc.
- Apart from the above, some additional tasks can be performed by payroll processor e.g. reimbursement management, scrutiny of investments proofs, liaison with PF / ESIC authorities for various forms submissions etc.
- When signing a contract for payroll processing, the scope of work is mutually agreed between the company and the payroll processor.

How

How does every employee get pay-slips and other details?

- Pay-slips, tax estimation working can be mailed to individual employee on their official ID in password protected PDF formats. Format of payslip can be customized to include the information required by the employee e.g. leave balance, loan balance, cumulative salary etc.
- Employees can also use an internet based Self Service Module provided by us. Each employee will be given a unique ID and password. After logging in the following details will be available to him on screen
 - Pay-slip for every processed month
 - TDS estimation working
 - Loan Details
 - Leave Details
 - Cumulative Salary Statement
 - Reimbursement Details
- Self Service Module also lets an employee update the intended investments eligible for deduction under Section 80C as well as other deductions under chapter VIA, Rent receipts, Home Loan details.

How does account department gets payroll reports?

- We will provide a desktop software called PayPac.
- After each payroll processing cycle, updated database will be sent to the company.
- With the help of PayPac and updated database, the following reports will be available to the company
 - Salary Register
 - Payroll JV
 - Bank wise salary credit statements
 - Salary comparison report between previous and current month
 - Cost analysis across branch, department, cost centres etc
 - PF Reports - Monthly Challan, Form 12A, Form 3A, 6A,
 - ESIC Reports - Monthly Challan , Half Yearly Form 5
 - Professional Tax Challans - for various states
 - TDS payable reports
 - TDS Estimation register / slips
 - TDS Form 16, 27A, 12BA
 - Labour Welfare Fund reports
 - Leave Reports
 - Loan Balance reports
 - CTC Report
 - Employee Movement Report

Can work be assigned in the middle of year?

- Yes. It is possible to give work in the middle of year. All previous months' data will be brought into the software by us to be able to generate yearly reports like Form 16 etc.

What if an employee has a query?

- Self Service Module has a Post Query button wherein the employee can post the query. The support team will reply to the query within 1 (one) business day.
- This ensures complete confidentiality as the access to Query will be only thru employee Login and password.
- In case the client does not opt for the Self Service Module, then the employee query can be sent to a dedicated email id.

How will regular data be sent for processing?

- The object of error-free and timely processing requires data exchange between the company and service provider to be in a systematic manner.
- For month to month processing, information needs to be given in fixed MS Excel Templates. The following templates are available to the company
 - Paid Days and Leave Details
 - Temporary Earnings / Deductions
 - Employees leaving
 - Employees Joining
 - Salary Structure Revision

- Loan Details
- Reimbursement
- Tax Deductions
- To avoid communication gaps / delays, the MS Excel Templates are to be uploaded via web site. Both sender and receiver will get instant confirmation of file transfer. Hence emails with attachments are completely avoided.

Why

Why should one outsource Payroll?

There are several benefits of outsourcing your payroll

- **Reduce Costs**

The direct costs of processing payroll can be greatly reduced by working with a payroll provider. As per a new report Tata Steel cut its payroll processing cost by 20% (http://www.tata.com/tata_steel/media/20031209.htm). Cost saved include direct cost of employee working on Payroll, software cost, software AMC etc.
- **Avoid Penalties**

Payroll processing involves legal compliance for TDS, PF, ESIC and P Tax. Incorrect calculations and delayed payments result in interest and penalties. In many instances, this cost immediately justifies outsourcing payroll.
- **Reliability and Continuity**

You do not have to worry about losing the employee that does payroll processing and this is a great challenge faced by organisations in today's time of high staff attrition. Outsourcing ensures reliability and continuity.
- **Free Up Time for Core Activities**

Payroll processing is a time-consuming process. Outsourcing payroll can free up staff time to pursue more important value-added and revenue-generating activities.
- **Leverage Outside Payroll Expertise**

Most business Accounts /HR Managers don't have time to keep up with constantly changing regulations, TDS rates, and legal forms. By outsourcing payroll, business can take advantage of expertise of outsourcing firm.
- **Automation of the Payroll Process**

Because of outsourcing, the payroll process gets streamlined and to a maximum extent gets automated. The software used for payroll processing sends several standard reports to employees, accounts and the HR department, which forms a good basis of control as well.

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